

**CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY
EXECUTIVE SUMMARY
BOND FINANCING PROGRAM**

<p>Applicant: University of the Pacific (“UOP”) Stockton, California San Joaquin County</p> <p>Facility Type: Private University</p> <p>Accreditations: Western Association of Schools and Colleges (“WASC”)</p>	<p>Amount Requested: \$11,500,000</p> <p>Loan Term: 30 years</p> <p>Date Requested: June 24, 2004</p> <p>Resolution Number: 217</p>																														
<p>Purpose of Financing: Proceeds will be used to complete various projects at all three campus locations: including renovations to resident’s halls, installing fire sprinklers, upgrading the information technology and purchasing a variety of equipment.</p>																															
<p>Type of Issue: Public offering, fixed interest rate</p> <p>Credit Enhancement: None</p> <p>Expected Credit Rating: A2 (Moody’s)</p> <p>Senior Underwriter: Prager, Sealy & Co., LLC</p> <p>Bond Counsel: Orrick, Herrington, & Sutcliffe LLP</p>																															
<p>Financial Overview: UOP continues to show healthy operating margins over the last three years due to a growing and varied revenue base. UOP continues to have an extremely strong balance sheet with good liquidity.</p>																															
<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;"><u>Sources of Revenue (\$000) – FY 6/30/03</u></th> <th style="text-align: right;"><u>Amount</u></th> <th style="text-align: right;"><u>Percent</u></th> </tr> </thead> <tbody> <tr> <td>Tuition & Fees</td> <td style="text-align: right;">\$ 114,118</td> <td style="text-align: right;">59.0%</td> </tr> <tr> <td>Sales and services auxiliary activities</td> <td style="text-align: right;">21,412</td> <td style="text-align: right;">11.1%</td> </tr> <tr> <td>Government grants & contracts</td> <td style="text-align: right;">18,709</td> <td style="text-align: right;">9.7%</td> </tr> <tr> <td>Private grants, gifts, and bequests</td> <td style="text-align: right;">11,785</td> <td style="text-align: right;">6.1%</td> </tr> <tr> <td>Dental clinic fees</td> <td style="text-align: right;">9,136</td> <td style="text-align: right;">4.7%</td> </tr> <tr> <td>Investment return</td> <td style="text-align: right;">8,434</td> <td style="text-align: right;">4.4%</td> </tr> <tr> <td>Other</td> <td style="text-align: right;">8,095</td> <td style="text-align: right;">4.2%</td> </tr> <tr> <td>Net assets released from restrictions</td> <td style="text-align: right;"><u>1,596</u></td> <td style="text-align: right;"><u>0.8%</u></td> </tr> <tr> <td style="padding-left: 20px;">Total Revenue</td> <td style="text-align: right;"><u>\$193,285</u></td> <td style="text-align: right;"><u>100%</u></td> </tr> </tbody> </table>		<u>Sources of Revenue (\$000) – FY 6/30/03</u>	<u>Amount</u>	<u>Percent</u>	Tuition & Fees	\$ 114,118	59.0%	Sales and services auxiliary activities	21,412	11.1%	Government grants & contracts	18,709	9.7%	Private grants, gifts, and bequests	11,785	6.1%	Dental clinic fees	9,136	4.7%	Investment return	8,434	4.4%	Other	8,095	4.2%	Net assets released from restrictions	<u>1,596</u>	<u>0.8%</u>	Total Revenue	<u>\$193,285</u>	<u>100%</u>
<u>Sources of Revenue (\$000) – FY 6/30/03</u>	<u>Amount</u>	<u>Percent</u>																													
Tuition & Fees	\$ 114,118	59.0%																													
Sales and services auxiliary activities	21,412	11.1%																													
Government grants & contracts	18,709	9.7%																													
Private grants, gifts, and bequests	11,785	6.1%																													
Dental clinic fees	9,136	4.7%																													
Investment return	8,434	4.4%																													
Other	8,095	4.2%																													
Net assets released from restrictions	<u>1,596</u>	<u>0.8%</u>																													
Total Revenue	<u>\$193,285</u>	<u>100%</u>																													
<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;"><u>Sources of Funds:</u></th> <th style="width: 15%;"></th> <th style="text-align: left;"><u>Uses of Funds:</u></th> <th style="width: 15%;"></th> </tr> </thead> <tbody> <tr> <td>Bond proceeds</td> <td style="text-align: right;"><u>\$11,500,000</u></td> <td>Construction and Renovation</td> <td style="text-align: right;">\$7,905,000</td> </tr> <tr> <td></td> <td></td> <td>Equipment</td> <td style="text-align: right;">2,440,000</td> </tr> <tr> <td></td> <td></td> <td>Reimbursement</td> <td style="text-align: right;">695,000</td> </tr> <tr> <td></td> <td></td> <td>Financing Costs</td> <td style="text-align: right;"><u>460,000</u></td> </tr> <tr> <td>Total Sources</td> <td style="text-align: right;"><u>\$11,500,000</u></td> <td>Total Uses</td> <td style="text-align: right;"><u>\$11,500,000</u></td> </tr> </tbody> </table>		<u>Sources of Funds:</u>		<u>Uses of Funds:</u>		Bond proceeds	<u>\$11,500,000</u>	Construction and Renovation	\$7,905,000			Equipment	2,440,000			Reimbursement	695,000			Financing Costs	<u>460,000</u>	Total Sources	<u>\$11,500,000</u>	Total Uses	<u>\$11,500,000</u>						
<u>Sources of Funds:</u>		<u>Uses of Funds:</u>																													
Bond proceeds	<u>\$11,500,000</u>	Construction and Renovation	\$7,905,000																												
		Equipment	2,440,000																												
		Reimbursement	695,000																												
		Financing Costs	<u>460,000</u>																												
Total Sources	<u>\$11,500,000</u>	Total Uses	<u>\$11,500,000</u>																												
<p>Legal Review: No information was disclosed to question the financial viability or legal integrity of the Applicant.</p>																															
<p>Staff Recommendation: Staff recommends the Authority approve a resolution in an amount not to exceed \$11,500,000 for University of the Pacific, subject to a minimum “A” rating by a nationally recognized rating agency and meeting the standard bond issuance provisions for “A” rated debt.</p>																															

STAFF SUMMARY AND RECOMMENDATION

**University of the Pacific
("UOP")**

June 24, 2004

Resolution Number: 217

I. PURPOSE OF FINANCING:

UOP intends to complete various projects at all three campus locations including renovations to residence halls, address fire safety issues by installing fire sprinklers, upgrading information technology and purchasing a variety of equipment.

Campus Improvements	\$11,040,000
Construction/Renovations	\$7,905,000

Fire Sprinklers and Alarms

Proceeds would be used to install fire sprinklers and alarms at all three campuses. Sprinklers and alarms will be installed in all the student residences on the Stockton campus. The library will also have sprinklers and alarms installed. The city of San Francisco has required the School of Dentistry to install a sprinkler system by the year 2006. The McGeorge School of Law in Sacramento will also have a sprinkler and alarm system installed in the student residence.

Residence Hall Renovations

Proceeds would be used to renovate most of the Stockton Main Campus residence halls. The majority of renovations will be in the Southwest Hall, the only residence hall that has not had any major renovations. Renovations would also include the conversion of the Grace Covell dining room into a multi-purpose room for receptions, classrooms and other events.

Infrastructure Upgrades and Improvements

Proceeds would be used to upgrade and bury an electric service line at the Stockton Campus that is essential to provide the necessary capacity for air conditioning services.

Equipment \$2,440,000

Proceeds would be used for the acquisition of equipment on all campuses to address technology upgrades, provide instructional equipment for health science classes and purchase new furniture for the law library at McGeorge School of Law.

Reimbursement \$695,000

Proceeds would be used to reimburse UOP for work that has already begun in regards to the installation of the fire sprinkler systems at all three campuses. Proceeds would also be used to reimburse UOP for any design fees and permit fees to begin the construction/renovations at the Stockton campus.

Financing Costs 460,000

Underwriter's Discount \$120,550

Other Costs of Issuance 339,450

TOTAL USES OF FUNDS \$11,500,000

Financing Structure:

- General obligation pledge
- \$11,500,000 total par value
- 30 year maturity
- Fixed rate, public offering
- Expected Credit Rating of A2 (Moody's)

II. FINANCIAL STATEMENTS AND ANALYSIS:

UNIVERSITY OF THE PACIFIC
Statement of Activities (Unrestricted)
(in thousands)

	Year Ended June 30,		
	2003	2002	2001
Operating			
Revenues, gains, and other support			
Net tuition and fees	\$ 114,118	\$ 106,166	\$ 98,859
Sales and services of auxiliary enterprises	21,412	19,000	17,284
Government grants and contracts	18,709	17,494	14,682
Private grants, gifts, and bequests	11,785	7,720	16,453
Investment return	8,434	8,689	7,285
Dental clinic fees	9,136	7,792	7,097
Other	8,095	8,052	6,814
Net assets released from restrictions	1,596	2,156	597
Total revenues, gains and other support	<u>193,285</u>	<u>177,069</u>	<u>169,071</u>
 Expenses:			
Instructional and department research	94,068	83,770	78,722
Auxiliary enterprises	23,869	20,183	18,121
Sponsored programs	10,043	10,283	8,444
Academic support	7,231	7,024	7,075
Student services	10,962	10,363	9,416
Student aid	2,768	2,361	1,852
General Administration	6,296	5,179	4,749
Fund raising activities	5,963	5,661	4,947
Operations and maintenance at plant	12,524	12,313	9,483
Depreciation	12,443	9,720	8,768
Interest	3,997	3,758	3,519
Total expenses	<u>190,164</u>	<u>170,615</u>	<u>155,096</u>
 Increase in unrestricted net assets from operations	3,121	6,454	13,975
 Other changes:			
Increase (decrease) in unrealized investments	(1,038)	(10,430)	183
 Increase (decrease) in unrestricted net assets	2,083	(3,976)	14,158
 Unrestricted net assets at beginning of year	163,348	167,324	153,166
Unrestricted net assets at end of year	<u>\$ 165,431</u>	<u>\$ 163,348</u>	<u>\$ 167,324</u>

UNIVERSITY OF THE PACIFIC
Statements of Financial Position
(in thousands)

	As of June 30,		
	2003	2002	2001
ASSETS:			
Cash and cash equivalents	\$ 21,281	\$ 21,470	\$ 22,531
Accounts receivable	13,193	12,886	12,497
Pledges receivable	16,409	17,023	18,253
Inventories, prepaid expenses and other assets	6,495	5,614	5,902
Loans receivable	26,590	26,083	24,409
Investments	196,045	202,553	192,281
Fixed assets, net	167,539	146,731	129,084
TOTAL ASSETS	\$ 447,552	\$ 432,360	\$ 404,957
LIABILITIES:			
Accounts payable and accrued liabilities	\$ 16,921	\$ 15,497	\$ 16,388
Advance deposits and deferred revenue	7,467	5,225	4,752
Self-insurance reserves	3,940	2,673	2,568
Early retirement reserves	1,971	2,381	2,391
Capital lease obligations	1,225	1,463	1,518
Notes and bonds payable	84,556	85,568	60,898
Annuity reserves	10,037	10,815	10,217
Federal student loan funds	24,067	23,819	22,891
Total Liabilities	150,184	147,441	121,623
NET ASSETS:			
Unrestricted	165,431	163,348	167,324
Temporarily restricted	31,213	30,138	29,783
Permanently restricted	100,724	91,433	86,227
Total Net Assets	297,368	284,919	283,334
TOTAL LIABILITIES AND NET ASSETS	\$ 447,552	\$ 432,360	\$ 404,957

Financial Ratios:

	Proforma (a)			
	FYE June 30, 2003	2003	2002	2001
Debt service coverage (x)	2.58	3.04	1.73	5.52
Debt/Unrestricted net assets (x)	0.60	0.53	0.55	0.38
Margin (%)		1.61	3.64	8.36
Current Ratio (x)		1.06	1.15	1.15

(a) Recalculates 2003 audited results to include the payment of this proposed financing.

Financial Discussion:

UOP continues to show healthy operating margins over the last three years due to a growing and varied revenue base.

UOP continues to exhibit steady revenue growth over our review period. Revenues are varied and include tuition, gifts and investments that provide UOP with substantial liquidity and flexibility. Tuition revenue has increased 13% over the last three years providing stable growth. Management believes that due to the continuing demand for services and a diverse and growing revenue base, UOP should continue to generate positive financial results. Even though the most recent financials reflect a declining margin it remains acceptable at 1.61%.

UOP continues to have a strong balance sheet with good liquidity.

UOP's balance sheet continues to grow with positive operating results and earnings from its investment portfolio. Liquidity is good with nearly \$40 million in cash and short-term investments. In June 2001, UOP embarked on a capital campaign with a goal of raising \$200 million by June 2007. Management states that to date UOP has received \$135 million in gifts and pledges. UOP has also received over the last three years, two gifts of real estate valued at approximately \$18 million. UOP's debt to unrestricted net assets increased slightly but is still acceptable with a proforma of .60x. Debt service coverage is a strong 3.04x and with the proposed debt the proforma debt service coverage is satisfactory at 2.58x. UOP should be able to handle the additional debt easily.

III. STUDENTS, COLLEGE COSTS AND FACULTY STATISTICS:

Freshmen and Transfers:

The following tables set forth applications, offers for admissions and new enrollment for the Stockton campus' undergraduate and graduate programs for the last four academic years and the current year.

Undergraduate Application, Admissions and Enrollment

Academic Year	Freshmen			Transfers			Total New Enrollments
	Applications	Offered Admissions	New Enrollments	Applications	Offered Admissions	New Enrollments	
1999-00	2,831	2,312	745	671	473	293	1,038
2000-01	3,184	2,438	729	544	384	269	998
2001-02	3,162	2,475	732	556	372	230	962
2002-03	3,736	2,642	700	643	426	257	957
2003-04	4,501	3,173	818	706	405	245	1,063

Enrollments and Degrees:

The following tables set forth UOP's total enrollments on the basis of total full-time equivalent (FTE) enrollment and headcount for the fall term and degrees awarded for all programs, for the current (enrollment only) and four most recent academic years.

ENROLLMENTS

Fall Term	FTE Under-Graduate	FTE Law	FTE Dentistry	FTE Pharmacy	FTE Graduate Programs	FTE Total	Total Headcount
1999-00	2,905	978	441	617	449	5,390	5,640
2000-01	3,140	954	443	634	295	5,466	5,609
2001-02	3,141	947	462	618	381	5,549	5,689
2002-03	3,180	1,045	471	628	409	5,733	5,886
2003-04	3,312	1,125	482	614	443	5,976	6,121

DEGREES AWARDED

Academic Year	Under-Graduate	Graduate	Total
1999-00	557	860	1,417
2000-01	581	829	1,410
2001-02	631	770	1,401
2002-03	682	769	1,451
2003-04 (est.)	720	837	1,537

Tuition and Fees:

A summary of UOP's tuition and room and board charges for the four most recent academic years, the current academic year are set fourth in the table below.

TUITION, FEES, ROOM AND BOARD

Academic Year	Undergraduate Tuition and Fees	Room & Board	Undergraduate Total	Dental Tuition	Law Tuition
2000-01	\$20,350	\$6,378	\$26,728	\$46,700	\$22,956
2001-02	\$21,150	\$6,700	\$27,850	\$49,300	\$24,104
2002-03	\$22,180	\$7,168	\$29,348	\$52,520	\$26,032
2003-04	\$23,180	\$7,460	\$30,640	\$55,375	\$27,698
2004-05	\$24,320	\$7,830	\$32,150	\$57,645	\$29,222

Faculty:

The following table reflects the number of faculty for the five academic years indicated, as well as the number of full-time faculty with tenure. The data are for instructional faculty only, and excludes deans, associate deans, coaches, administrators, and librarians who may hold faculty rank. The calculation of full time equivalents (“FTE”) for part-time faculty is based on their percentage of a full-time teaching load for the academic year.

FACULTY

Academic Year	Full-Time	FTE Part-time	Total FTE	Tenured Professional
1999-00	370	62	432	227
2000-01	365	85	450	220
2001-02	363	85	449	205
2002-03	375	89	464	209
2003-04	389	79	468	214

Of the 389 full-time faculty in 2003-04, 132 are professors, 111 are associate professors, 121 are assistant professors, 16 are instructors, and 9 are lecturers. Approximately 92% of the faculty have obtained a Ph.D. or other terminal degree and approximately 55% of the full-time faculty are tenured. The current undergraduate student/faculty ratio is 12 to 1, and UOP does not utilize teaching assistants.

IV. BACKGROUND:

General:

UOP founded in 1851, is the oldest chartered university in California. From its beginnings in Santa Clara, the institution has evolved into an institution with campuses in Stockton, Sacramento, and San Francisco. UOP’s main campus in Stockton combines many of the advantages of a larger university with those of a liberal arts college. From Stockton, UOP offers programs in the arts and sciences in addition to several professional programs, including pharmacy, business, dental hygiene program, engineering and education. This variety of programs in Stockton provides more than 4,200 undergraduate and graduate students with a wide range of choices both in selecting their major field of study as well as opportunities to pursue other educational interests. UOP’s campus in Sacramento houses the McGeorge School of Law, one of the largest law schools in California, which offers legal training to approximately 1,000 students each year, along with a variety of legal and legal related programs to practitioners in the western United States. UOP’s School of Dentistry in San Francisco has a record of training practicing dentists, while providing clinical services to qualified clinics in the Bay Area as well as on the Stockton campus. The School of Dentistry enrolls approximately 450 students annually.

Administration:

UOP is governed by a Board of Regents which consists of a minimum of 21 and a maximum of 33 members. Current membership of the Board is 28. The Board is responsible for the University's endowment and all the operations and properties of the University, including the adoption of the University budget, establishment of schools and departments, investment and accounting policies, debt policy, land use and development, faculty and staff appointments and benefits and gift development. The Board conducts its business through a number of committees.

Accreditations:

UOP has been accredited since 1949 by the Western Association of Schools and Colleges ("WASC"), the primary accrediting body for institutions of higher education in the western United States. The last WASC accreditation was in March 2000, in which WASC reaffirmed UOP's accreditation to 2010.

UOP also has professional accreditation and/or professional relationships with the following organizations: National Association of Schools of Art and Design; National Association of Schools of Music; National Association of Music Therapy; American Council on Pharmaceutical Education; National Council for Accreditation of Teacher Education; California Commission for Credentialing; Committee for Bar Examiners of the State Bar of California, American Bar Association; American Association of Law Schools; Computer Science Accreditation Board; Accreditation Board for Engineering and Technology: Civil Engineering, Electrical Engineering, Computer Engineering, Mechanical Engineering and Engineering Physics; American Speech and Hearing Association; Commission on Accreditation of Dental Education Programs, Council of Dental Education; American Assembly of Collegiate Schools of Business; American Chemical Society; and American Physical Therapy Association.

Academic Programs:

The Stockton campus includes eight schools consisting of College of the Pacific (Arts & Sciences), Conservatory of Music, Eberhardt School of Business, Gladys L. Benerd School of Education, School of Engineering, School of International Studies, School of Pharmacy and Graduate School. In addition to these schools and colleges in Stockton, UOP has a law school, the McGeorge School of Law, located in Sacramento, and a School of Dentistry in San Francisco.

Competition:

UOP is classified among national research and comprehensive universities according to Carnegie Institute's standards. Accordingly, it is ranked among the 249 national universities in the US NEWS annual ranking, being in the second quartile. The following are UOP's top eleven competitors as measured by the number of cross-admissions (i.e. student applicants admitted to both institutions).

University of California, Davis	Davis, CA
University of California, Santa Barbara	Santa Barbara, CA
University of California, Irvine	Irvine, CA
University of California, San Diego	San Diego, CA
University of Southern California	Los Angeles, CA
University of California, Riverside	Riverside, CA
University of California, Los Angeles	Los Angeles, CA
University of California, Berkeley	Berkeley, CA
University of California, Santa Cruz	Santa Cruz, CA
Santa Clara University	Santa Clara, CA
Cal Poly State University, San Luis Obispo	San Luis Obispo, CA

V. OUTSTANDING DEBT:

<u>Issue Name: Series</u>	<u>Original Issue Amount</u>	<u>Amount Outstanding as of 6/30/03</u>	<u>Estimated Amount Outstanding After Proposed Financing</u>
Existing:			
CEFA Revenue, 1997A	\$ 9,570,000	\$ 6,435,000	\$ 6,435,000
CEFA Revenue, 1998	12,500,000	11,695,000	11,695,000
CEFA Revenue 2000	41,000,000	41,000,000	41,000,000
CEFA Revenue 2002	24,500,000	24,500,000	24,500,000
CEFA Equipment 2003	1,200,000	926,000	926,000
Proposed:			
CEFA Revenue Bonds 2004	11,500,000		<u>11,500,000</u>
Total Debt Outstanding		<u>\$84,556,000</u>	<u>\$97,005,000</u>

VI. LEGAL REVIEW:

Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the Application. No information was disclosed to question the financial viability or legal integrity of this applicant.

VII. STAFF RECOMMENDATION:

Staff recommends the Authority approve a final resolution in an amount not to exceed \$11,500,000 for University of the Pacific, subject to a minimum “A” rating by a nationally recognized rating agency and meeting the standard bond issuance provisions for “A” rated debt.